BUDGET 1963-64

(Speech in the Madras Legislative Council)

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Minister for Industries

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GOVERNMENT OF MADRAS

FINANCE DEPARTMENT

Speech of Sri R. Venkataraman, Minister for Industries in the Legislative Council presenting the Budget for 1963–64.

Mr. Chairman,

I have the honour to present the Budget Estimates for 1963–64 to this House. In his Budget Speech in the other Chamber this morning, the Finance Minister has dealt with the proposals embodied in the Budget in detail. I shall not cover the same ground again, but shall refer, in brief, only to some salient features of the Budget.

2. The Budget Estimates for the next year reveal a deficit of Rs 2,74 lakhs in spite of the substantial tax effort made in the current year. The assistance from the Centre for Plan schemes in the next year has been cut by about Rs 4 crores, and part of this reduction will be on Revenue Account. We have also had to incur considerable additional expenditure on schemes relating to internal security as a result of the National Emergency. The implementation of the Plan is gathering momentum as we enter the third year, and the outlay in the next year has been fixed at about Rs 59·83 crores.

3. The deficit on Revenue Account is thus due to the combined impact of the National Emergency and the Plan. Even though it is appreciable the Government

have decided not to resort to additional taxation in the present Budget. Some of the new measures of taxation introduced in the current year like the tax on motor vehicles and tax on consumption of electricity, have 'built-in' elements of growth and we should get larger revenues from them in future. We expect about Rs 9 crores in the next year from these measures of additional taxation. We may also seek to get a little more from some of our important existing taxes, like the General Sales Tax, by tightening up the machinery for collection. One of the encouraging features during the last few years has been the steady increase in the yield from General Sales Tax. In 1956–57, we secured only Rs 11·17 crores from this tax and by 1961–62 this had increased to Rs 15,79 lakhs. In the Revised Estimates for 1962–63, we are taking credit for Rs 17,59 lakhs and the final performance may in fact be even better. For the next year, we are assuming a figure of Rs 19,21 lakhs, but with some effort, it should be possible to secure nearly Rs 20 crores, largely because of Industrial and Commercial development.

4. There are also two other factors which point to some improvement in the revenue position as now revealed in the Budget Estimates. The Central Government have decided on an increase in the rate of Central Sales Tax from 1 per cent to 2 per cent. This tax, though levied by the Centre, is collected and appropriated by the States. We may expect to secure an additional revenue of about Rs 2 crores from this enhancement. We are now levying 7 per cent sales tax on certain specified articles of luxury, like motor cars, refrigerators, photographic cameras, etc. State Governments have been seeking to ensure uniformity in the rate of sales tax on these commodities. Some State Governments may shortly increase

the rate of sales tax on these luxury articles, in which case, we may have to fall in line and revise the existing rate of sales tax on these commodities. We may therefore expect the revenue deficit to be largely covered with corresponding improvement in our ways and means position which has been none too comfortable in the current year.

5. Since the commencement of the Second Five-Year Plan, our revenues have registered a steady increase. But so has our expenditure. The Second Plan initiated a process of large-scale development of social services like Education, Medical and Public Health. The bulk of the increase in expenditure in recent years has been on these services, as will be seen from the following figures relating to expenditure on select heads of development at the commencement of the Second Five-Year Plan and as embodied in the Budget Estimates for the next year :—

Head of Development.	*Budget Estimates,* 1956–57.	*Budget Estimates,* 1963–64.
	(RS IN LAKHS)	
Education including Technical Education ..	10,26·97	28,71·46
Medical	3,57·55	7,06·57
Public Health	53·98	2,69·23
Agriculture	1,90·51	5,72·88
Community Development	2,99·69	5,75·43

The house will be pleased to note from these figures that the additional resources mobilised during the Second and Third Five-Year Plans have been utilised largely on increased outlays on developmental services. Non-development expenditure, that is expenditure on Departments like Police, Jails, General Administration, etc., has declined from 44 per cent

of general revenues in 1956–57 to 34 per cent in the Budget Estimates of 1963–64. It is this policy of careful scrutiny and strict control over non-development expenditure that has enabled the State Government to fulfil its Plan targets and, in fact, improve on them.

6. One of the usual criticisms levelled against the Government is that increase in establishment charges has absorbed a large portion of additional resources raised specifically for financing the Plan. The total establishment charges in 1957–58 were of the order of Rs 20·25 crores, constituting 34 per cent of the total expenditure of Rs 59·15 crores. Since then, there was a substantial upward revision of scales of pay of Government servants of all categories in pursuance of the recommendation of the Madras Pay Commission. Even so, the expenditure on establishments in the Budget Estimates for 1963–64 accounts for only Rs 33·11 crores, constituting only 26 per cent of the total expenditure of Rs 1,27·19 crores. Far from there being an increase, the proportion of establishment charges has come down by 8 per cent during the past six years. It should also be remembered that the increase in certain categories of staff such as Teachers, Doctors, Nurses is directly related to the expansion of important social services. There is, however, no room for complacency. The present National Emergency demands that we should conserve all our resources and concentrate these on purposes directly related to defence and development. The Government have, therefore, initiated measures of economy in the employment of staff and in expenses on stationery, contingencies and travelling allowances. We have also either deferred or slowed down considerably programmes relating to construction of administrative buildings and staff

quarters. These measures, apart from the savings they yield, are significant for setting a general tone of austerity and avoidance of waste in keeping with the current temper of the Nation.

7. The buoyancy in our revenues which I referred to earlier is directly related to the growth of the economy of the State during the last few years. It is a truism that a Government can only be as prosperous as the community it serves. The State has made significant strides in industrial and agricultural production in recent years and it is this increased production that has caused the growth in revenues and sustained developmental expenditure.

8. In promoting the establishment of new industries and thus providing increased opportunities for employment, we have eschewed dogma in regard to the relative roles of public and private sectors, and tried to pursue a policy of active encouragement of private enterprise in all fields where it could make an effective contribution. The State Government have been using their good offices with the Government of India in enabling industrialists in the State to obtain licences for the setting up of new industries. The Government have also assisted them with supply of power and have arranged, wherever needed, for the acquisition of land and the provision of water supply. The new industrial units have also received substantial assistance by way of participation in the Share structures and long-term loans under State aid and from the Madras Industrial Investment Corporation. In respect of the twenty-nine industries, for which statistics are gathered under the Census of Manufacturing Industries Act, investment has

increased from Rs 71·34 crores in 1956 to Rs 1,18·7 crores in 1960. The recent growth in industries is illustrated by the following comparative figures of production :—

Industry.	1956.	1962.
Textiles	5·58 lakh bales.	8·64 lakh bales.
Cement	667,098 tons.	1,268,584 tons.
Sugar	63,272 ,,	154,349
Fertiliser (Superphosphate) ..	69,903 ,,	104,175 ,,
Bicycles	130,462 Nos.	277,355 Nos.

A factor which augurs well for the industrial development of the State is the emergence in recent years of an enterpreneur class willing to invest and seek new lines of production. In order to assist them, the Government propose to set up an expert consultative service to prepare feasibility reports of new industrial ventures.

9. Turning to the public sector, the Neyveli Lignite Project, the Raw Film Factory, the Surgical Instruments and Teleprinter factories have made satisfactory progress. The prospects of setting up at an early date a steel plant based on Neyveli Lignite and Salem Iron Ore have also now improved with the successful conclusion of the tests carried out in East Germany and Norway. The Government of India have commissioned Messrs. Dastur & Co. for the preparation of a detailed Project Report. The Government have also provided the lands required for the High Pressure Boiler Plant at Tiruchirappalli and construction work has already been taken up. Machinery is expected to start arriving from Czechoslovakia in the next few months.

10. Honourable Members will be glad to know that a Defence Industries Project is taking shape at Avadi and that we are rendering all assistance for its early completion and, in particular, are arranging for the water-supply for this project. It is to conserve water for this purpose that we have undertaken the acquisition of 7,500 acres of wet land under Red Hills and Sholavaram lakes for which a provision of Rs 1,75 lakhs has been made in the Budget Estimates. We have also taken up a scheme for the transmission of water required for the project at a cost of Rs 58 lakhs.

11. The growth of defence industries around Madras and the gearing up of production of other industries to meet the requirements of defence forces, will make heavy demands on our Power Grid, which is already under heavy strain. The House is aware of the impressive increase in the installed capacity of the Madras Grid during the first two Plan periods. From about 146,000 KW at the beginning of the First Five-Year Plan, the installed capacity of our grid has been stepped up to 571,700 KW by the end of the Second Plan. An allocation of Rs 1,00 crores out of the total Third Plan provision of Rs 2,91 crores, indicates the importance which Government attach to the generation and transmission of power. All the power projects included in the Third Five-Year Plan are progressing according to schedule. In view of the accelerating demand for power, we have also taken steps to advance some of the power programmes not originally proposed to be taken up during the current Plan period. Thus the Mettur Tunnel Hydel Scheme originally visualised the installation of only two units of 50 Megawatts each. We have, with the concurrence of the Planning Commission, now decided to take up the Second Stage of this programme, namely, installation of the third and fourth units also in the present

Plan period itself. This project is being assisted by the Soviet Union, with whom we have already placed orders for machinery and equipment. The Kundah Project, for which the Canadians are rendering assistance will be commissioned according to schedule in 1964–65. Orders for machinery for the Anamalai Hydro-electric Project have also been placed. Investigation of Kodayar Hydro-electric Scheme in Kanyakumari District has also been completed and we are exploring with the Planning Commission the possibilities of taking up this project during the current Plan itself. The first two units of 50 Megawatts each, under the Neyveli Thermal Scheme have already gone on stream and we expect the other three units also to be completed early. But even if all these projects are commissioned, the demand for power will still outstrip the supply. We have therefore taken up with the Mysore Government the question of execution of the Hogenakal Project which has a power potential of 800 MW. We hope that Mysore Government will extend to us their fullest co-operation in the execution of this project. We are also aware of the need to reduce the present heavy dependence of our grid on the seasonal irrigation discharges and have impressed upon the Government of India the need for providing a measure of stability by setting up a nuclear power station in our State. The Government of India have accepted our view-point and we expect the third Atomic Power Plant in the country to come up at Kalpakkam near Mahabalipuram.

12. We are fully conscious of the fact that heavy industries alone cannot provide adequate opportunities for employment and have therefore pursued a policy of encouragement of small-scale industries and also

of cottage industries like Handlooms. The Budget Estimates provide for an allocation of Rs 1,38 lakhs for Handlooms and of Rs 2,53 lakhs for Small Scale Industries. The outlay on Small Scale Industries may not be impressive in financial terms, but they are intended to act as a catalyst in promoting the establishment of similar units in larger numbers in the private sector.

13. The national emergency has revealed that in an under-developed country like ours, unemployment can co-exist with serious deficiencies of trained man-power in certain crucial sectors. We are therefore accelerating the programmes for Technical Education, and are taking steps to increase the intake in Engineering Colleges from 1,157 to 1,482 with simultaneous increase in admissions to Polytechnics also. Provision has also been made for the opening of two more Polytechnics in the next year. We have also reviewed the facilities available at present for training of craftsmen of different kinds such as fitters, turners, machinists, etc., who will be required in large numbers for defence forces and defence-oriented industries and are opening more industrial training institutes. The defence forces will also need medical personnel on a large scale. In order that such diversion of medical personnel may not cause any serious set-back to our programmes of medical and health, we are increasing the annual admissions in the Medical Colleges from 600 to 700. Government have also decided to open a new Medical College in a mofussil centre with full complement of students. The present Medical College at Kilpauk with its limited strength of only 75 students will be merged in due course with the new institution when it starts functioning. Facilities for training of para-medical personnel such as Nurses, Pharmacists, etc., have also been enlarged.

14. The anxiety to step up the pace of industrialisation is understandable in a predominantly agricultural country. It is only industrialisation that would provide diversified occupation for our growing population and enable us to utilise fully our natural resources. But in this process we cannot overlook the need for stepping up agricultural production, particularly in the present national emergency. We are aiming at about 30 per cent increase in production of foodgrains during the Third Plan period and fulfilment of this target will tax our energies to the utmost. One factor which gives warrant for the hope that this target may not be unattainable is the significant improvement in the supply position of fertilisers in the current year. We have also provided larger funds for Minor Irrigation programmes. We are also persevering with schemes such as rural and urban compost, distribution of green manures, supply of improved implements, etc., which individually may not be spectacular, but collectively can make an impact on the present level of productivity on land. We are progressively sharing the responsibility for the proper implementation of all these schemes with the Panchayat Unions and Panchayats. They have a great part to play in harnessing the enthusiasm of our farmers in stepping up agricultural production and thus assisting the defence effort of the country. Our people in the countryside have contributed substantially to the National Defence Fund. But the most effective form in which they can contribute to the defence effort of the country is by stepping up production in the agricultural sector.

15. The major part of our Third Five-Year Plan is closely connected with the defence effort of the country. In particular, the Plan as now re-oriented in the light of the National Emergency, lays stress

on schemes contributing to agricultural and industrial production. It is only by fulfilling our Plan without any serious shortfall that we can build up the defence potential of the country. To meet the demands of defence and development alike, we will have to accept a measure of restraint on current consumption and mobilise all our resources. The national emergency has no doubt brought problems in its wake, but it has also brought about a sense of cohesion, unity and determination among our people. If we can direct the newly aroused enthusiasm of our people on constructive lines, it should not be difficult to find the resources both for defence and developmental programmes. Writing during the last World War on the task facing Britain in economic mobilisation, Lord Keynes, the great economist, observed—

> "A reluctance to face the full magnitude of our task and overcome it is a coward's part. Yet the nation is not in this mood and only asks to be told what is necessary."

These sentiments are as much true of India to-day as they were of Britain during the early dark days of the Second World War.

With these words, Sir, I commend the Budget Estimates of 1963–64 for the acceptance of this House.

MADRAS,
1*st March* 1963.

R. VENKATARAMAN,
Minister for Industries.